

## FISCAL NOTE

### SB 1956 - HB 1543

March 16, 2005

**SUMMARY OF BILL:** Authorizes a tax credit, applicable to any future franchise, excise, or sales tax return, in the amount of sales tax paid by any taxpayer who is a recipient of a small business innovation research program grant and who invests a minimum of \$500,000 on qualified buildings or machinery and equipment that will be used for the primary purpose of research and development, pilot-scale manufacturing or the commercial application of qualified research and development. Requires taxpayer to apply for authorization and to be approved by the Department of Revenue before commencing any such project.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues – Exceeds \$140,000**  
**Increase State Expenditures - \$10,000 One-Time**


**Decrease Local Govt. Revenues – Exceeds \$22,500**

#### Assumptions:

- There are approximately 40 grants awarded each year from the Small Business Innovation Research Program in Tennessee.
- Total amount of grants are estimated at \$10.0 million per year.
- Average grant is \$250,000 ( $\$10,000,000 \div 40 = \$250,000$ ).
- 10% invest the \$500,000 minimum.
- Decrease in state revenues resulting from tax credit is estimated to exceed \$140,000 (4 taxpayers X \$500,000 investment X 7% state rate = \$140,000) per year.
- Local governments have the option of crediting taxpayer for taxes not allocated exclusively for educational purposes.
- Typically, one-half (50%) of local taxes are allocated for education.
- Decrease in local government revenues resulting from tax credit is estimated to exceed \$22,500 (4 taxpayers X \$500,000 investment X 2.25% local option rate X 50% credit = \$22,500) per year.
- No new positions in Department of Revenue.
- One-time increase of state expenditures for computer programming and software modifications estimated at \$10,000.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director